

G-002/M-95-443

ORDER APPROVING NEW AREA SURCHARGES AND REQUIRING REVISED TARIFF  
SHEET

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Joel Jacobs  
Tom Burton  
Marshall Johnson  
Dee Knaak  
Don Storm

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Request by Northern States  
Power Gas Utility for a Miscellaneous Rate  
Change to Establish a New Area Surcharge for  
Customers in the Community of Taylors Falls

ISSUE DATE: November 22, 1995

DOCKET NO. G-002/M-95-443

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SURCHARGES AND REQUIRING  
REVISED TARIFF SHEET

**PROCEDURAL HISTORY**

On May 5, 1995, Northern States Power Company Gas Utility (NSP Gas or the Company) filed its request for a New Area Surcharge (NAS) for Taylors Falls, Minnesota.

On July 5, 1995, Minnesota Department of Public Service (the Department) filed its comments recommending approval with modifications.

On July 14, 1995, NSP Gas filed reply comments. The Company agreed with two of the Department's recommendations, and did not object to the other two recommendations.

On November 9, 1995, the Commission met to consider this matter.

**FINDINGS AND CONCLUSIONS**

**A. The Company's Proposal**

NSP Gas requested that the Commission approve a New Area Surcharge for the Community of Taylors Falls. It stated that it used the surcharge calculation methodology as described in its New Area Surcharge Rider (11th Revised Tariff Sheet No: 5-15) which was approved along with the Lakes Area surcharge.

The Company explained that community of Taylors Falls has requested natural gas service for several years and granted NSP Gas a franchise to install a gas distribution system on October 11, 1994. The Company stated that the revenue requirements model shows that the expansion would not be justified without a surcharge. The Company proposed the following surcharges:

Residential

\$6.00

Commercial & Industrial	\$14.00
Large General Service	\$225.00
Small Volume Interruptible	\$100.00
Large Volume Interruptible	\$275.00
Firm Transportation	\$300.00
Interruptible Transportation	\$300.00

The Company noted that these surcharges are identical to Company's current customer charges. Although no customers are expected to take Large General Service, Small Interruptible, and Transportation Service, the Company explained that it proposed surcharges for those classes in this filing to prevent duplicative filings.

NSP Gas stated that that since gas service will commence to customers approximately November 1, 1995, the surcharge is proposed to expire on October 31, 2010. The Company proposed that the surcharges be in effect for a period not to exceed fifteen years. The current forecast of project costs and revenues indicate the surcharge could expire in fourteen years and seven months.

The Company stated that accounting and reporting of this project would follow the Commission's Orders in Docket No. G-002/M-94-156 and Docket No. G-002/M-94-1054.

## **B. The Department's Comments**

The Department stated that NSP's proposal is consistent with previous Commission Orders concerning NSP's New Area Surcharge. The Department stated that its analysis of the projected costs and revenues for the project confirmed that the project is not economical without a surcharge. The Department recommended approval, but with modifications.

Modification 1: The Company should be required to use the Department's version of the model (from Attachment 6) to calculate the costs and expenses associated with the Taylors Falls expansion. Should the Commission choose not to order NSP to adopt the Department's model, the Department recommended that the Commission order NSP to correct the treatment of the timing of salvage in the model to be consistent with its estimation of book lives of plant in service additions.

Modification 2: The share of the Taylors Falls Town Border Station (TBS) allocated to the reinforcement of the community of Shafer should be half of all the Taylors Falls TBS costs, not just half of the costs associated with the Viking portion of the project. The costs of the TBS allocated to Taylors Falls expansion should be correspondingly reduced by the same amount.

Modification 3: The Taylors Falls expansion should be subject to the same reporting requirements as the Lakes Area Expansion in Docket No. G-002/M-94-156.

Modification 4: If the New Area Surcharge for Glyndon, Docket No. G-002/M-95-519, has been approved by the time that the Commission issues its Order in the instant

docket, a column should be added to the text on Tariff Sheet No. 5-21, to indicate that a surcharge is also to be charged to Glyndon, MN.

**C. The Company's Reply Comments**

The Company agreed stated that it had no objection to using a single 40 year average service life and that it would also accept the Department second recommendation that half of all the Taylors Falls TBS costs should be recognized as system costs since they increase the capacity to existing towns served by NSP Gas. Finally, the Company agreed with the Department's third and fourth proposed modifications.

**D. Commission Action**

The Commission finds that the Company's calculation of the proposed surcharge generally follows the model approved in previous Orders and will approve it, as modified by the four recommendations made by the Department.<sup>1</sup> The Commission notes that the Company does not object to these modifications and has, in fact, agreed to them.

**ORDER**

1. The New Area Surcharge proposed by NSP Gas for Taylors Falls for each class is approved with the following modifications:
  - the overall deficiency shall be calculated so that all book depreciation is calculated with a 40 year average service life;
  - the salvage shall be included in the 40th year after the plant was placed in service; and
  - one half of the total TBS cost shall be allocated to each of the following: the Taylors Falls NAS project and general plant reinforcement.

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<sup>1</sup> As regards the Department's fourth proposed modification, the Commission notes that in an Order issued contemporaneously with this Order, the Commission has approved the NAS for Glyndon, Minnesota, thereby rendering applicable the fourth proposed modification, i.e. addition of a column to the text of Tariff Sheet No.5-21 indicating that a surcharge is also to be charged in Glyndon. See ORDER APPROVING NAS AND REQUIRING REVISED TARIFF SHEETS in Docket No. G-002/M-95-519 (November 22, 1995).

2. The Company shall file a revised Tariff Sheet 5-21 including a list of all projects for which the Commission has approved new area surcharges (including Glyndon), giving the approved or estimated ending date for each surcharge within 15 days of the date of the Commission's Order.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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